

**State of Illinois**  
**Department of Employment Security**

State Compliance Examination  
For the Two Years Ended June 30, 2021

Performed as Special Assistant Auditors  
For the Auditor General, State of Illinois

**STATE OF ILLINOIS  
DEPARTMENT OF EMPLOYMENT SECURITY  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2021**

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Other Reports Issued Under a Separate Cover:

The Department's financial statements as of and for the year ended June 30, 2021, have been issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under *Government Auditing Standards* for the year ended June 30, 2021, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

**State of Illinois  
Department of Employment Security**

**Agency Officials  
For the Two Years Ended June 30, 2021**

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Director (03/22/22 – Present)	Ms. Kristin Richards
Director (Acting) (8/10/20 – 03/21/22)	Ms. Kristin Richards
Director (Acting) (03/01/19 – 7/31/20)	Mr. Thomas Chan
Chief of Staff (06/18/19 - Present)	Mr. Raymond Marchiori
Deputy Director Service Delivery Bureau (07/26/21 – Present)	Ms. Mireya Hurtado
Deputy Director Service Delivery Bureau (07/16/21 – 07/25/21)	Vacant
Deputy Director Service Delivery Bureau (02/16/15 – 07/15/21)	Ms. Trina Taylor
Deputy Director Business Services Bureau (02/01/21 – Present)	Ms. Carrie Thomas
Deputy Director Business Services Bureau (06/16/20 – 02/01/21)	Ms. Crystal Caison-Russell
Deputy Director Business Services Bureau (07/1/19 – 5/31/20)	Ms. Dolores Simon
Chief Legal Counsel (01/16/20 – Present)	Mr. Kevin Lovellette
Chief Legal Counsel (Acting) (03/01/19 – 01/15/20)	Mr. Thomas Chan
Chief Financial Officer (12/01/19 – Present)	Mr. Isaac Burrows
Chief Financial Officer (Acting) (07/01/19 – 11/30/19)	Mr. Isaac Burrows
Chief Operating Officer (1/1/21 – Present)	Ms. Stacy Howlett
Chief Operating Officer (04/01/20 – 12/31/20)	Mr. Rex Crossland
Chief Operating Officer (Acting) (11/12/19 – 03/15/20)	Mr. Daniel Long
Chief Operating Officer (02/23/19 – 11/11/19)	Vacant
Chief Internal Auditor (05/16/21– Present)	Mr. Noe G. Reyes
Chief Internal Auditor (04/1/20 – 05/15/21)	Vacant
Chief Internal Auditor (07/01/19 – 03/31/20)	Mr. Rex Crossland
Chief Information Officer (12/01/18 – Present)	Position fully transitioned to IL DoIT
Manager, Accounting Services Division (07/01/19 – Present)	Mr. L. Briant Coombs
Manager, Economic Information and Analysis Division (12/16/19 – Present)	Mr. George Putnam, PhD
Manager, Economic Information and Analysis Division (Acting) (01/01/19 – 12/15/19)	Mr. George Putnam, PhD
Manager, Revenue Division (06/08/20 – Present)	Mr. Sydney Parks
Manager, Revenue Division (Acting) (03/01/19 – 06/07/20)	Mr. Algie Crivens

**State of Illinois  
Department of Employment Security**

**Agency Officials  
For the Two Years Ended June 30, 2021**

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Statewide Manager, Field Operations (05/01/21 – Present)	Mr. Manuel Zulaica
Statewide Manager, Field Operations (06/01/2015 – 04/30/21)	Ms. Janice Taylor Brown

Statewide Manager, Unemployment Insurance Programs (11/20/21 – Present)	Vacant
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Statewide Manager, Unemployment Insurance Programs (06/16/15 – 11/19/21)	Mr. Justin Brissette
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The Department's primary administrative offices are located at:

33 S. State Street  
Chicago, IL 60603-2802

607 E. Adams, 9<sup>th</sup> Floor  
Springfield, IL 62701-1606



JB Pritzker  
Governor

Kristin A. Richards  
Director

## MANAGEMENT ASSERTION LETTER

August 12, 2022

RSM US LLP  
20 North Martingale Road, Suite 500  
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Illinois Department of Employment Security (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following specified requirements during the two-year period ended June 30, 2021. Based on this evaluation, we assert that during the years ended June 30, 2020, and June 30, 2021, the Department has materially complied with the specified requirements listed below.

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Other than what has been previously disclosed and reported in the Schedule of Findings, the Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. Other than what has been previously disclosed and reported in the Schedule of Findings, State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Other than what has been previously disclosed and reported in the Schedule of Findings, money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois Department of Employment Security

**SIGNED ORIGINAL ON FILE**

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Kristin Richards, Director

**SIGNED ORIGINAL ON FILE**

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Isaac Burrows, Chief Financial Officer

**SIGNED ORIGINAL ON FILE**

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Kevin Lovellette, Chief Legal Counsel

**State of Illinois  
Department of Employment Security**

**State Compliance Examination  
For the Two Years Ended June 30, 2021**

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**STATE COMPLIANCE REPORT**

**SUMMARY**

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

**ACCOUNTANT'S REPORT**

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance contains a disclaimer, and identifies material weaknesses over internal control over compliance.

	<u>Current</u>	<u>2020</u>	<u>2019</u>
GAS Findings	3	7	5
State Compliance Findings	23	N/A	10
Total Compliance Findings	26	7	15

	<u>Current</u>	<u>2020</u>	<u>2019</u>
GAS New Findings	1	5	2
GAS Repeated Findings	2	2	3
GAS Not Repeated Findings	5	3	5

	<u>Current</u>	<u>2020</u>	<u>2019</u>
State Compliance New Findings	17	N/A	5
State Compliance Repeated Findings	6	N/A	5
State Compliance Not Repeated Findings	5	N/A	5

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings</b>				
2021-001	11	2020/2020	Failure to Implement General Information Technology Controls over the Pandemic Unemployment Assistance System	Material Weakness and Material Noncompliance
2021-002	13	New	Failure to Maintain Accurate and Complete Pandemic Unemployment Assistance Claimant Data	Material Weakness and Material Noncompliance
2021-003	14	2020/2020	Failure to Perform Timely Cash Reconciliations	Material Weakness and Material Noncompliance
2021-004	16	New	Inadequate Controls over Determination of Overtime Pay and Calculation of Final-Termination Gross Pay	Significant Deficiency and Noncompliance

**State of Illinois  
Department of Employment Security**

**State Compliance Examination  
For the Two Years Ended June 30, 2021**

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**STATE COMPLIANCE REPORT (Continued)**

**SCHEDULE OF FINDINGS (Continued)**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
2021-005	18	New	Untimely Submission of FCIAA Certification	Significant Deficiency and Noncompliance
2021-006	19	New	Failure to Prepare Monthly Reconciliation	Significant Deficiency and Noncompliance
2021-007	20	New	Inadequate Controls Over Contractual Agreements	Significant Deficiency and Noncompliance
2021-008	21	New	Noncompliance with State Library Act	Significant Deficiency and Noncompliance
2021-009	22	2019/2017	Noncompliance with the Election Code	Significant Deficiency and Noncompliance
2021-010	24	2019/2015	Inadequate Controls over Property and Equipment Records	Significant Deficiency and Noncompliance
2021-011	27	New	Noncompliance with Report Filing Requirements	Significant Deficiency and Noncompliance
2021-012	28	2019/2017	Inadequate Controls over Monthly Reconciliations	Significant Deficiency and Noncompliance
2021-013	29	2019/2003	Performance Evaluation Not Completed Timely	Significant Deficiency and Noncompliance
2021-014	31	New	Inadequate Controls over Required Employee Training Requirements	Significant Deficiency and Noncompliance
2021-015	33	New	Inadequate Accounts Receivable Reports and Quarterly Reports not Filed Timely	Significant Deficiency and Noncompliance
2021-016	35	New	Noncompliance with Department's Policies and Procedures on Timekeeping	Significant Deficiency and Noncompliance
2021-017	37	New	Noncompliance with Statutes and Regulations on Internal Auditing	Significant Deficiency and Noncompliance
2021-018	40	New	Disaster Recovery Planning Weaknesses	Significant Deficiency and Noncompliance
2021-019	42	2019/2019	Cybersecurity Weaknesses	Significant Deficiency and Noncompliance



**State of Illinois  
Department of Employment Security**

**State Compliance Examination  
For the Two Years Ended June 30, 2021**

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**STATE COMPLIANCE REPORT (Continued)**

**SCHEDULE OF FINDINGS (Continued)**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
2021-020	44	New	Payment Card Industry (PCI) Compliance Weaknesses	Significant Deficiency and Noncompliance
2021-021	46	New	Weaknesses in Security and Control of Confidential Information	Significant Deficiency and Noncompliance
2021-022	48	New	Inadequate Controls over Remote Access	Significant Deficiency and Noncompliance
2021-023	50	New	Inadequate Personal Information Protection Policy	Significant Deficiency and Noncompliance
2021-024	51	2020/2018	Inadequate Controls over GenTax Access	Significant Deficiency and Noncompliance
2021-025	53	New	Inadequate Controls over GenTax Change Control	Significant Deficiency and Noncompliance
2021-026	54	New	Inadequate Controls over Service Providers	Significant Deficiency and Noncompliance

**Prior Findings Not Repeated**

A	56	2020/2020	Failure to Accurately Determine Claimants' Eligibility for Pandemic Unemployment Assistance
B	56	2020/2020	Inadequate Controls over Pandemic Unemployment Assistance Program Processes
C	56	2020/2020	Inadequate Controls over Accruals
D	56	2020/2019	Inadequate Controls over Receivable Allowance
E	57	2019/2017	Inadequate Controls over Telecommunication Devices
F	57	2019/2019	Inadequate Review of Access Rights for Terminated Employees
G	57	2019/2019	Inadequate Security at Local Office
H	57	2019/2019	Noncompliance with the Unemployment Insurance Act
I	57	2019/2019	Noncompliance with the Public Employment Office Act

**EXIT CONFERENCE**

The Department waived an exit conference in a correspondence from James M. Schreiber, Audit Liaison, on July 19, 2022. The responses to the recommendations were provided by James M. Schreiber, Audit Liaison, in a correspondence dated July 28, 2022.

**Independent Accountant's Report  
on State Compliance and on Internal  
Control over Compliance**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

**Report on State Compliance**

As Special Assistant Auditors for the Auditor General, we were engaged to examine compliance by the State of Illinois, Department of Employment Security (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2021. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on conducting the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*.

The specified requirements are:

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

The Department has not maintained certain accounting records and supporting documents relating to transactions with its beneficiaries. Accordingly, we were unable to extend our examination procedures sufficiently to determine whether the Department was in compliance with the specified requirements listed above.

Because of the limitations on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the Department complied with the specified requirements, in all material respects.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

Our examination disclosed material noncompliance with the specified requirements described below, during the two years ended June 30, 2021. Items 2021-001 through 2021-003 are each considered to represent material noncompliance with the specified requirements.

***Specified Requirement C***

As described in the accompanying Schedule of Findings as items 2021-001 through 2021-003, the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

***Specified Requirement D***

As described in the accompanying Schedule of Findings as items 2021-001 through 2021-003, the Department had not ensured the State revenues and receipts collected by the Department were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law.

***Specified Requirement E***

As described in the accompanying Schedule of Findings as items 2021-001 through 2021-003, money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department had not been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

**Report on Internal Control Over Compliance**

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-001 through 2021-003 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-004 through 2021-026 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
August 12, 2022

**State of Illinois  
Department of Employment Security**

**Schedule of Findings  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-001      Failure to Implement General Information Technology Controls over the Pandemic Unemployment Assistance System**

The Department of Employment Security (Department) failed to implement general Information Technology (IT) controls over the Pandemic Unemployment Assistance (PUA) System (System).

In April 2020, the Department contracted with a service provider to provide the System as a Software as a Service (SaaS) and to provide hosting services for the System. The service provider maintained full control over the system.

In order to determine if general IT controls were suitably designed and operating effectively over the System, we requested the Department provide a System and Organization Control (SOC) report for the service provider. As was noted in the prior audit, the Department could not provide a SOC report, as the service provider's contract did not require the service provider to undergo a SOC examination. Therefore, we conducted testing of the general IT control of the System.

Change Control

As was noted in the prior audit, the service provider's developers continued to have access to the production environment. As a result, we were unable to determine if the developers made unauthorized changes to the environment, application, and data.

Security

The Department had not implemented internal controls over the System's access.

Disaster Recovery

The Department had not implemented disaster recovery controls.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, require entities outsourcing their IT environment or operations to obtain assurance over the entities' internal controls related to the services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews. In addition, the Access Control section sanctions the implementation of internal controls over access. The Configuration Management section also enforces logical restrictions with changes to systems. Further, the Contingency Planning section makes compulsory the development of a detailed disaster recovery plan.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

The Department indicated the service provider's contract did not require a SOC report to be provided. Additionally, the Department indicated competing priorities resulted in the other weaknesses.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-001      Failure to Implement General Information Technology Controls over the  
Pandemic Unemployment Assistance System (Continued)**

As a result of the lack of general IT controls over the System, we were unable to rely on the System and the proper determination of claimant eligibility data and benefits paid. Furthermore, as a result of the lack of internal controls identified in this finding and finding 2021-002, we are unable to obtain sufficient documentation to determine if the Department's Fiscal Year 2021 financial statements are fairly presented. Therefore, we are issuing a disclaimer of opinion over the Department's Fiscal Year 2021 Unemployment Compensation Trust Fund financial statements. (Finding Code No. 2021-001, 2020-001)

**Recommendation**

We recommend the Department ensure the service provider's contract requires obtaining a SOC report or an independent review. We also recommend the Department ensure the service provider's developers' access is restricted and changes are appropriate. Further, we recommend the Department develop and implement security controls and disaster recovery controls.

**Department Response**

IDES accepts the auditor's recommendation. In 2021, IDES took action to address the points raised in the finding. The improvements to the PUA system were implemented within a timeframe that did not impact the entire 2021 audit period. As recommended, a contract is in place requiring the PUA system service provider to secure a SOC report for FY22. The system access of the PUA service provider's developers has been restricted and accurately documented. In addition, documentation for PUA system disaster recovery, as well as security controls, are in place and have been reviewed and documented.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-002      Failure to Maintain Accurate and Complete Pandemic Unemployment Assistance Claimant Data**

The Department of Employment Security (Department) failed to maintain accurate and complete Pandemic Unemployment Assistance (PUA) claimant data.

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provided states the ability to provide unemployment insurance to individuals affected by the pandemic, including those who would not normally be eligible for unemployment. Based on the Department's records, as of June 30, 2021, 424,887 claimants had received benefits totaling \$8,168,499,998.

From June 2021 through January 2022, the Department attempted to provide complete and accurate PUA claimant data in order to determine if the claimants were properly determined eligible. After several attempts and considerable manipulation of the data to make the data more auditable and organized, it was determined complete and accurate PUA claimant data could not be provided. Therefore, we were unable to conduct detailed testing to determine whether the PUA claimants were entitled to benefits.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Also, due to these conditions, we were unable to conclude the PUA claimant data records were complete and accurate under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500.08 and AT-C § 205.35).

The Department indicated the PUA system limitations and data entry errors resulted in the weaknesses.

Due to the inability to conduct detailed claimant testing, we were unable to determine whether the Department's financial statements accurately document the PUA benefits paid during Fiscal Year 2021. Therefore, we are issuing a disclaimer of opinion over the Department's Fiscal Year 2021 Unemployment Compensation Trust Fund financial statements. (Finding Code No. 2021-002)

**Recommendation**

We recommend the Department implement controls to ensure the claimants' data is complete and accurate.

**Department Response**

IDES accepts the auditor's recommendation. The Department continues to work with the PUA system service provider and the Department of Innovation and Technology (DoIT) staff to refine the PUA database information and develop a reporting structure that conforms with auditors' expectations. Errors and anomalies within the PUA system have been identified and are being addressed to ensure claimant data is complete and reliable.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-003      Failure to Perform Timely Cash Reconciliations**

The Department of Employment Security (Department) did not prepare its year end bank reconciliations timely.

As part of our engagement, we requested the June 30, 2021 bank reconciliations. The reconciliations are between cash as recorded in the Department's general ledger, and cash as reported by the bank for each account. The Department did not have the reconciliations prepared timely for audit fieldwork and we received the final versions of the June 2021 reconciliations on December 23, 2021.

The timely reconciliation of cash accounts is a basic control procedure that should occur every month to determine the recorded amount of cash is accurate. Normally this procedure is performed shortly after the end of the month upon receipt of the bank statement. Most organizations have a regular monthly accounting schedule whereby the monthly general ledger cannot be closed without the preparation of the cash reconciliation.

Concepts Statement No. 1 of the Governmental Accounting Standards Board, Objectives of Financial Reporting (GASBCS 1, paragraph 64), states, "Financial reporting should be reliable; that is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. To be reliable, financial reporting needs to be comprehensive." The reconciliation of cash accounts is a basic control to ensure the accuracy and reliability of financial reports.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure State resources are used efficiently and effectively. This includes the timely performance of bank reconciliations.

Department management indicated the weaknesses were due to turnover in personnel and the inability to quickly move employees into this area to perform this function as workloads increased significantly as a result of the new CARES Act unemployment programs.

Since the Department has numerous cash transactions every month, the risk of error due to misapplied cash transactions is significant. Monthly there can be over \$1 billion in cash that flows through the Department's various cash accounts. Monthly and annual financial statements could be materially misstated due to the lack of timely bank reconciliations. Failure to properly complete timely bank reconciliations could also result in a misuse or misappropriation of cash that could go undetected. (Finding Code No. 2021-003, 2020-004)

**Recommendation**

The Department should prepare a monthly reconciliation for every cash account, reconciling the bank and general ledger balances. Each monthly bank reconciliation should be timely completed and reviewed and approved by a supervisor.



**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-003      Failure to Perform Timely Cash Reconciliations (Continued)**

**Department Response**

IDES accepts the auditor's recommendation. In 2021, IDES contracted with a professional accounting firm to assist department staff with the cash reconciliation work required for seven programs, including the new federal programs such as PUA and PEUC that were enacted in response to the pandemic. In consultation with a professional accounting firm, department procedures are undergoing review and revision to ensure cash reconciliations for all programs are completed on a timely basis.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-004      Inadequate Controls over Determination of Overtime Pay and Calculation of Final-Termination Gross Pay**

The Department of Employment Security (Department) did not exercise adequate controls over calculations of final-termination gross pay.

During testing of 60 employees during the review period, the Department failed to provide the following:

- Nineteen (32%) Overtime/Equivalent Earned Time Authorization & Attendance Reports (FI-44)
- Of the thirteen terminated employees during the review period, four (31%) Time and Attendance Reports (FI-43)

Due to incomplete information, overtime pay of employees who rendered overtime during the review period could not be verified. Additionally, we could not determine whether final termination gross pay was calculated properly.

The Department Procedures Manual (2005.40.402) states the Overtime Authorization and Attendance Report (FI-44) is designed to document overtime hours worked and hours for part-time employees. The form must also be completed for employees who work 12.5 hour shifts and who receive compensatory time for a holiday that falls on a non-scheduled day.

The Department Procedures Manual (2005.21.214) indicates that for employees covered by the AFSCME collective bargaining agreement and part-time employees, the FI-44 Overtime Authorization and Attendance Report shall be used to document overtime hours worked. Separate forms must be prepared for each day on which overtime is worked. The FI-44 is prepared on the day that the overtime is worked. For merit compensation and non-code employees, the FI-44M Request for Overtime Compensation for Merit Compensation Employees should be completed.

The Department Procedures Manual (2005.40.401) states the preparation, reporting and maintenance of time and attendance reports (FI-43 for full-time employees, FI-43Y for intermittent and part-time employees, FI-43T for temporary employees including 75-day appointees and FI-43M for merit compensation and non-code employees) are designed to document hours worked. They are prepared at the beginning of each pay period. Each day all employees must enter actual reporting and departing time. Employees shall comply with the work time requirements set forth in the Procedures Manual, applicable laws, statutes, administrative rules, and policies.

The Illinois Administrative Code (80 Ill. Admin. Code 310.100 (g)) requires the Department to provide a lump sum payment for accrued vacation, sick leave, and unused compensatory overtime at the current base rate to those employees separated from employment under the Personnel Code.

The State Records Act (5 ILCS 160/8) requires the Department to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Department designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-004      Inadequate Controls over Determination of Overtime Pay and Calculation of Final-Termination Gross Pay (Continued)**

The Department indicated that cost centers are required to retain copies of their employees' forms FI-43s and FI-44s. The cost centers of each of the 60 employees selected were contacted by the Payroll Section for copies of the forms requested for the audit. The Department submitted all of the documents provided by the cost centers. Some of the documents could not be located by the cost centers due to complications of digital file retention of the employees working remotely during the pandemic.

Failure to properly maintain time reports of employees who rendered overtime may result in errors when determining overtime pay. Also, failure to properly maintain time reports of separated/terminated employees may result in errors when recomputing final-termination gross pay. (Finding Code No. 2021-004)

**Recommendation**

We recommend the Department enforce its policies and procedures concerning the prior approval and documentation of employee overtime and ensure proper maintenance of time and attendance reports for the calculation of final-termination gross pay.

**Department Response**

The Department accepts the finding and will enforce its policies and procedures. We will emphasize the importance of cost centers retaining proper records of prior approval and documentation of employee overtime and being able to locate documents requested by the department accurately and expeditiously. The Department will ensure proper maintenance of time and attendance reports for the calculation of final-termination gross pay and prevent future findings.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-005      Untimely Submission of FCIAA Certification**

The Department of Employment Security (Department) did not file its Fiscal Year 2020 Fiscal Control and Internal Auditing Act (FCIAA) certification timely.

During our review, we noted the Department submitted its Fiscal Year 2020 FCIAA certification on September 25, 2020, which was 147 days late from the required date of May 1, 2020.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3003) requires each chief executive office of all State agencies to conduct an evaluation of their systems of internal fiscal and administrative controls and file a certification based on their evaluation with the Office of the Auditor General (Auditor General) by May 1 of each year.

In addition, the Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure the Department timely submits the FCIAA certification with the Auditor General.

Department officials stated the submission of the certification was delayed until September solely due to the unprecedented impact on the Department's workload in response to COVID-19.

Failure to timely submit the FCIAA certification results in noncompliance with the Act and hinders governmental oversight. (Finding Code No. 2021-005)

**Recommendation**

We recommend the Department implement procedures to ensure FCIAA certifications are filed in accordance with the requirements of the Act.

**Department Response**

The Department accepts the finding and has in place procedures to ensure the FCIAA is completed timely.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-006      Failure to Prepare Monthly Reconciliation**

The Department of Employment Security (Department) did not perform a required reconciliation of its contract records to the Office of Comptroller's (Comptroller) records.

During our testing, we noted the Department did not prepare a required reconciliation of its internal records to the Comptroller's monthly Obligation Activity Report (SC15) or monthly Agency Contract Report (SC14) in accordance with the Statewide Accounting Management System (SAMS).

The SAMS Manual (Procedure 15.30.30) requires the Department to perform a monthly reconciliation of the Agency Contract Report (SC14) or Obligation Activity Report (SC15) to the Department's records within 60 days of the end of the month and notify the Comptroller of any discrepancies.

According to the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36), when using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for practitioners' purposes, including, as necessary, obtaining evidence about the accuracy and completeness of the information, and evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes.

The Department indicated that due to staff turnover, staff shortages and the increased workload as the result of COVID-19, the Department was unable to complete the monthly reconciliation of the Agency Contract Report (SC14) or Obligation Activity Report (SC15) to the Department's records within 60 days of the end of the month and notify the Comptroller of any discrepancies. The Department stated that its Accounting Department will work with Procurement to ensure a monthly reconciliation is completed within 60 days of the month end.

Failure to reconcile the Department's contract activity or obligation activity report could lead to discrepancies between the Department and Comptroller records and could result in inaccurate financial reporting. (Finding Code No. 2021-006)

**Recommendation**

We recommend the Department complete required monthly reconciliations relating to the Comptroller's monthly Obligation Activity Report (SC15) or monthly Agency Contract Report (SC14) in a timely manner.

**Department Response**

The Department accepts the Auditor's recommendation. The Department will work with appropriate staff to complete the monthly reconciliation of the Comptroller's Agency Contract Report (SC14) and the Obligation Activity Report (SC15) to its internal records in a timely manner.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-007      Inadequate Controls over Contractual Agreements**

The Department of Employment Security (Department) did not exercise adequate controls over contractual agreements.

During our testing of fifteen contracts with a total value of \$27,311,862 in Fiscal Year 2020 and \$119,304,254 in Fiscal Year 2021, we noted one (7%) contract where the Department did not file a Late Filing Affidavit with the Office of Comptroller (Comptroller).

Additionally, the Department failed to provide the schedule of emergency purchases for the examination period which must include description, amount, and approximate cost information. The Office of the Auditor General's website included an emergency purchase during the 3<sup>rd</sup> quarter of Fiscal Year 2021. We were unable to reconcile this emergency purchase with the Department's internal records.

The Statewide Accounting Management System (SAMS) Manual (Procedure 15.10.40) filing requirements indicate that State Agencies shall file with the Comptroller a copy of a contract, purchase order, grant, lease, cancellation or modification thereto within 30 days of execution.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with law.

Department officials indicated the majority of the procurement unit at that time were working remotely during the pandemic. When this information was requested from the unit, the individual that supplied the information thought he had supplied the correct requested information. Consequently, the individual did not verify the information with others in the procurement unit before considering the list he sent final.

The Comptroller may refuse to issue a warrant for payment until the Department files the contract, purchase order, grant or lease and an Affidavit, signed by the chief executive officer or her designee, providing an explanation of the late filing.

Failure to maintain or identify emergency purchases inhibits the Department from meeting the requirements of SAMS and statutory law. (Finding Code No. 2021-007)

**Recommendation**

We recommend the Department file a Late Filing Affidavit with the Comptroller as necessary and ensure emergency purchases are included in the Department's contracts listing.

**Department Response**

The Department accepts the finding and is consistently working to put better controls in place so that contracts are executed and filed timely with the Illinois Office of Comptroller.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-008      Noncompliance with State Library Act**

The Department of Employment Security (Department) failed to file reports and promulgate policies and procedures to comply with the requirements of the State Library Act (15 ILCS 320/21(a)).

During our testing, we noted the Department did not provide and deposit with the State Library sufficient copies of all publications issued, including electronic publications, for its collection and exchanges purposes. The Department has not identified a specific person responsible for the distribution of the publications.

Additionally, we have noted there were no documented policies and procedures in place to meet compliance requirements of the State Library Act. The Department's Office of Legal Counsel is working to update the policies and procedures on this issue.

The State Library Act (15 ILCS 320/21(a)) states that all State agencies shall provide and deposit with the Illinois State Library sufficient copies of all publications issued by such State agencies for its collection and for exchange purposes. The State Librarian shall by rule or regulation specify the number of copies required and the publications that must be deposited. The number of paper copies of a publication that must be deposited may be reduced if the documents are also submitted in an electronic format specified by the Illinois State Library. The State Librarian shall set by rule the standard to be used for electronic data exchange among State agencies and the State Library.

The Illinois Administrative Code (Code) (23 Ill. Admin. Code 3020.150) indicates that by July 15 of each year, each State agency shall inform the Government Documents Section in writing of the person, persons, or positions responsible for distribution of publications of that agency. The Government Documents Section shall be notified within two weeks after any changes.

Department officials indicated the Department is currently developing a policy and procedure for the Department to deposit publications with the Illinois State Library and to identify the position(s) responsible for making such deposits.

Failure to file reports and publications, establish policies and procedures to meet compliance requirements, or inform the State Library of the person or persons responsible for distribution of documents deprives the State Library's primary users of valuable information and represents noncompliance with the State Library Act. (Finding Code No. 2021-008)

**Recommendation**

We recommend the Department ensure policies and procedures are in place in order to comply with the requirements of the State Library Act.

**Department Response**

The Department accepts the finding and has promulgated Policy and Procedure 1022 which sets forth the process for the Department to provide publications pursuant to the requirements of the State Library Act and inform the State Library annually by July 15 of the individual(s) responsible for providing the Library with the Department's publications.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-009      Noncompliance with the Election Code**

The Department of Employment Security (Department) did not fully comply with the requirements of the State's Election Code (Code) to establish a voter registration system and enter into an agreement with the State Board of Elections for the delivery of related information with regards to the operation of the voter registration system.

During testing of the Department's compliance with the code, we noted the following:

- The Department has not established and operated a voter registration system capable of transmitting voters' registration information to the State Board of Elections' portal.
- The Department has not entered into an agreement with the State Board of Elections to transmit information required under the Electronic Registration Information Center Membership Agreement.
- The Department's website did not have a downloadable, printable voter registration form available.

The Code (10 ILCS 5/1A-16.6) requires designated government agencies, one of which is the Department, to maintain a data transfer mechanism capable of transmitting voter registration application information, including electronic signatures where available, to the online voter registration system established by the State Board of Elections. The designated government agencies were required to establish and operate this voter registration system by July 1, 2016.

The Code (10 ILCS 5/1A-45 (b-5)) also requires the Department to enter into an agreement with the State Board of Elections to transmit member data under the Electronic Registration Information Center Membership Agreement. The Director of the Department is required to deliver the information on an annual basis to the State Board of Elections pursuant to the agreement between the entities.

The Code (10 ILCS 5/1A-17(a) also requires the Department to make available on its World Wide Web site a downloadable, printable voter registration form that complies with the content requirement as set out in the Code (10 ILCS 5/1A-16(d)).

The Department was first cited for noncompliance with the Code during the compliance examination for the two years ended June 30, 2017. In the years since the finding was first noted, the Department has not been successful in correcting the finding.

Department officials stated the failure to establish and maintain the data transfer mechanism was due to execution of a data sharing agreement pending with the State Board of Elections regarding the records to be shared and the development and testing of technological solutions for the data sharing. They also indicated the Department's website contained a link to the online voter registration form but were not aware a printable version was required, which was remedied upon identification of this issue.

Failure to establish and operate the voter registration system, as well as failure to include a downloadable, printable voter registration form on the Department's website resulted in noncompliance with the Code. In addition, lack of an agreement precludes transmission of member data required by the Code. (Finding Code No. 2021-009, 2019-014, 2017-009)



**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-009      Noncompliance with the Election Code (Continued)**

**Recommendation**

We recommend the Department seek funding necessary to fulfill the requirements of the Code. In addition, we recommend the Department enter into an agreement with the State Board of Elections to deliver the related required information under the Electronic Registration Information Center Membership Agreement, as well as provide a downloadable version of the voter registration form on its website.

**Department Response**

The Department accepts this finding and will continue to work with the State Board of Elections to obtain the shared data agreement required by federal law and authorized under State law, governing the transfer and safeguarding of confidential Department records sought for the Electronic Registration Information Center, and will ensure that the downloadable, printable voter registration form remains on the Department's website.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-010      Inadequate Controls over Property and Equipment Records**

The Department of Employment Security (Department) did not have adequate controls over its property and equipment and related records.

During testing, we noted the Department recorded in the Enterprise Resource Planning (ERP) System equipment totaling \$147,890 with a capitalization date of February 2, 2020. These asset additions were not reported in the Department's quarterly Agency Report (Form C-15) filed with the Office of Comptroller (Comptroller). As of June 30, 2020, and 2021, the Department reported total property of \$53.46 million and \$53.34 million, respectively.

Additionally, property additions per Form C-15 Reports could not be reconciled to the Comptroller's records reflected on the Object Expense/Expenditures by the Quarter Report (SA02).

During testing, we noted the Department did not submit its 2020 annual certification to the Department of Central Management Services (CMS) on a timely basis. The Calendar Year 2020 certification was filed 14 days late. In the Calendar Year 2020 Annual Certification of Inventory, we also noted that three unlocated pieces of equipment were missing laptops, and the Department did not perform any investigations to determine the use and what data would have been stored or placed on the laptops.

During our testing of a sample of 60 assets selected from the Department's inventory records, we noted the following:

- Six (10%) items were on the inventory listing but were not found on site.
- One (2%) item was found on site but no identification tag was found on the equipment.
- Two (3%) items' locations could not be determined.

Additionally, during our testing of a sample of 60 assets inspected on site, we noted three (5%) items with valid inventory tags were not included in the Department's inventory records.

The State Property Control Act (30 ILCS 605/4) requires responsible officers at the Department to be accountable for the supervision, control, and inventory of all property under their jurisdiction.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.460 (b)) requires the Department to maintain control over all property under its jurisdiction, regardless of cost, including property not required to be carried on inventory and reported to CMS.

The Statewide Accounting Management System (SAMS) Manual (Procedure 29.10.10) provides agencies with guidance on how to maintain such records and states that detailed records are to be organized by major asset category and include certain information for each asset to include: cost (or other value); function and activity; reference to acquisition source document; acquisition date and date placed in service; name and address of vendor; short description of asset; organization unit charged with custody; location; and date, method and authorization of disposition. The procedure also states that this list is not exhaustive, and an agency may include additional information for its own needs.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-010      Inadequate Controls over Property and Equipment Records (Continued)**

The Code (44 Ill. Admin Code 5010.400) requires State agencies to adjust property records within 90 days after acquisition, change or deletion of equipment items. The Code (44 Ill. Admin Code 5010.210) also requires agencies to mark each piece of State-owned equipment in their possession to indicate that it is the property of the State of Illinois. Furthermore, the Code (44 Ill. Admin Code 5010.230) requires agencies to maintain records including identification number, location code number, description, date of purchase, purchase price, object code and voucher number.

The Code (44 Ill. Admin. Code 5010.460) requires all agencies to make an annual physical inventory of State equipment in their possession. Agencies shall maintain control over all property under the jurisdiction of the agency, regardless of acquisition cost, including property not required to be carried on inventory and reported to CMS, sufficient to meet the requirements of the agency's internal auditor. Equipment with an acquisition cost equal to or greater than \$1,000, vehicles, firearms, and high theft equipment, as determined by the agency, is subject to certification to CMS. When an agency completes its inventory, the agency head or his or her designee shall complete and sign the "Certification of Inventory" and "Discrepancy Report" and forward the completed certificate, with a complete inventory listing, including a listing of all vehicles, to CMS.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; and that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

The Department was first cited for inadequate controls over property and equipment records during the compliance examination for the two years ended June 30, 2015. In the years since the finding was first noted, the Department has not been successful in correcting the finding.

Department officials indicated that in regards to the certification, the initial outstanding percentage of fixed assets was found unacceptable by management, so the certification was held until the Department was able to meet an acceptable percentage. In addition, many of the remote offices were closed due to the pandemic, resulting in the inability to confirm and report the assets under certain Cost Center locations. Conditions attributable to the pandemic have challenged the Department's ability to conduct timely and accurate physical inventories, as well as file reports timely.

Inaccurate property reporting reduces the reliability of the Department's capital asset information and results in incorrect accounting information that could cause unnecessary equipment expenditures and inaccurate financial reporting of the State. Failure to maintain adequate property records and inaccurate reporting of property items increases the risk of equipment theft or loss occurring without detection. (Finding Code No. 2021-010, 2019-009, 2017-008, 2015-008)

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-010      Inadequate Controls over Property and Equipment Records (Continued)**

**Recommendation**

We recommend the Department adhere to the requirements of the State Property Control Act, the Illinois Administrative Code, the Fiscal Control and Internal Auditing Act, and SAMS. We further recommend the Department:

- Ensure equipment additions are properly reported in the quarterly Agency Report (Form C-15) submitted to the Comptroller.
- Ensure Annual Certifications of Inventory are accurately completed and submitted timely to CMS.
- Have sufficient trained personnel to maintain property records and accurately report information to CMS.
- Establish and enforce policies and procedures relating to conducting investigations on unlocated equipment that are subject to theft (i.e. laptops, cellphones, firearms).

**Department Response**

The Department accepts the Auditors' recommendations. The Department will work internally to ensure all capitalized equipment is recorded on the C-15 report to the IOC. In addition, the Department will work to reconcile the C-15 to the Comptroller's records reflected on the Object Expenses/Expenditures by the Quarter Report (SA02). We will endeavor to submit annual certifications accurately and timely, have sufficient trained personnel, and enforce policies and procedures relating to unlocated equipment that are subject to theft.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-011      Noncompliance with Report Filing Requirements**

The Department of Employment Security (Department) did not comply with the requirements for filing reports and publications.

During our examination, we noted the Department did not:

- Prepare a report of its acts and doings and submit to the Governor at least 10 days prior to the General Assembly convening in the following calendar year.

The State Finance Act (30 ILCS 105/3) requires each officer of the executive department to make and deliver an annual report of their acts and doings for the fiscal year at least 10 days prior to the convening of the General Assembly in the following calendar year.

- Provide copies of its Annual Reports for Fiscal Year 2019 and 2020 to the State Government Report Distribution Center at the State Library.

The State Library Act (15 ILCS 320/7 (t)) created a State Government Report Distribution Center for the General Assembly. The Center is to receive all reports in all formats available required by law or resolution to be filed with the General Assembly and furnish copies of such reports on the same day on which the report is filed with the Clerk of the House of Representatives and the Secretary of the Senate, as required by the General Assembly Organization Act, and without charge to members of the General Assembly upon request.

Department official indicated the exceptions were due to oversight.

Failure to file reports deprives the Governor and the General Assembly of valuable information needed to manage the operations of the State. (Finding Code No. 2021-011)

**Recommendation**

We recommend the Department create policies and procedures to comply with reporting requirements of the State Finance Act and the State Library Act.

**Department Response**

The Department accepts this finding. The FY 2019 report was not filed, and the FY 2020 report was not timely filed. The Department will ensure that the annual report is timely filed with the Office of the Governor under the State Finance Act, 30 ILCS 105/3, though it appears that under the plain language of the State Library Act, 15 ILCS 320/7(t), the Distribution Center is only to receive reports required to be filed with the General Assembly, and this report, as mandated by the State Finance Act, is to be submitted to the Office of the Governor and not the General Assembly.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-012      Inadequate Controls over Monthly Reconciliations**

The Department of Employment Security (Department) did not have adequate controls over the required reconciliations of its records with the reports from the Office of Comptroller (Comptroller).

The Department received \$186.34 million and \$291.44 million in revenues from its operating and non-operating funds in Fiscal Years 2020 and 2021, respectively.

During testing of the Fiscal Year 2020 reconciliation between the Comptroller records and Department records, we noted that for two of 8 (25%) months tested, the Monthly Revenue Status Report (SB04) reconciliations were not performed in a timely manner. These were prepared 4 to 360 days late.

Additionally, during our testing of eight monthly reconciliations of locally held funds of Fiscal Years 2020 and 2021, we noted that reconciliations prepared did not include evidence to indicate when the reconciliations were performed, thus timeliness of the reconciliations could not be determined for all eight (100%) reconciliations tested.

The Statewide Accounting Management System (SAMS) (Procedure 07.30.20) requires the Department to reconcile its records to the SAMS system on a monthly basis. These reconciliations must be completed within 60 days of the month end. The key reports to be used for reconciliations include the SB04.

The Department was first cited for inadequate controls over monthly reconciliations during the compliance examination for the two years ended June 30, 2017. In the years since the finding was first noted, the Department has not been successful in correcting the finding.

Department officials indicated that due to staff turnover, shortages, the transition from working in the office to working at home and increased workloads as the result of COVID-19, the Department was not able to complete the reports in a timely manner.

Failure to perform monthly reconciliations in a timely manner hinders necessary and reasonable corrective action to locate differences and correct the accounting records between Department and Comptroller records timely. (Finding Code No. 2021-012, 2019-006, 2017-010)

**Recommendation**

We recommend the Department consistently complete required monthly reconciliations relating to revenues (SB04) and locally held funds in a timely manner.

**Department Response**

The Department accepts the Auditor's recommendation. The Department has contracted with an external accounting firm to supplement and assist Department staff with reconciliation work to help ensure reconciliations are completed in a timely manner.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-013      Performance Evaluation Not Completed Timely**

The Department of Employment Security (Department) did not complete employee performance evaluations timely.

During our testing of 60 employee personnel files, we noted the following:

- Seven (12%) employees' annual performance evaluations were 42 to 271 days late.
- Eight (13%) employees' performance evaluations of three-month midpoint and six-month final probationary evaluations were 4 to 177 days late.
- Two (3%) employees' three-month midpoint probationary performance evaluations were not on file in Fiscal Year 2021.
- One (2%) employee's six-month final probationary performance evaluation was not on file in Fiscal Year 2021.
- One (2%) employee's annual performance evaluation was not on file.
- The three-month midpoint probationary and six-month final performance evaluation of one (2%) newly hired employee was not signed and dated in Fiscal Year 2021.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270(d)) requires that, for a certified employee, each agency shall prepare an employee performance evaluation not less often than annually. The Code (80 Ill. Admin. Code 310.450(c)) also requires that evaluations be completed prior to when annual merit increases are awarded. In addition, the Department Procedures Manual (2000.20.202) requires the Department to complete performance evaluations for newly appointed employees upon completion of the first probationary period (3 months) and 15 days prior to the completion of the final probationary period (6 months). Further, the Department Procedures Manual (2020.40.10) requires human resource management to review the form for completeness and affix the Department Director's signature.

The Department was first cited for not completing performance evaluations timely during the compliance examination for the two years ended June 30, 2003. In the years since the finding was first noted, the Department has not been successful in correcting the finding.

Department officials indicated that during the height of the pandemic, all staff were learning to work remotely and were involved in very pressing pandemic responses for the Department and the customers they serve. As a result, some evaluations were not completed timely.

Employee performance evaluations are a systematic and uniform approach used for the development of employees and to communicate performance expectations. The evaluation measures actual work performance against the performance criteria established at the beginning of the appraisal period. Without timely completion of an employee's performance evaluation, the employee will not be provided with formal feedback, which could lead to continued poor performance. (Finding Code No. 2021-013, 2019-008, 2017-003, 2015-003, 2013-003, 11-4, 09-7, 07-03, 05-5 and 03-2)

**Recommendation**

We recommend the Department monitor the status of performance evaluations to ensure they are completed in a timely manner.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-013      Performance Evaluation Not Completed Timely (Continued)**

**Department Response**

The Department accepts the finding. The Office of Human Resource Management Staff continuously monitor the status of performance evaluations. A monthly notice of both upcoming and overdue performance evaluations is sent to office managers.



**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-014      Inadequate Controls over Required Employee Training Requirements**

The Department of Employment Security (Department) did not have adequate controls over the employee training requirements mandated by State laws, rules, and regulations.

During our testing of 60 employees, we noted the following:

- One (2%) employee did not complete the required Ethics training in Fiscal Year 2020.
- Two (3%) new hire employees did not receive their initial Ethics training within 30 days of employment in Fiscal Year 2020. The training was completed 25 to 53 days late.

During our testing of 60 employees, we noted four (7%) new hire employees did not receive their Harassment Discrimination Prevention training within 30 days of employment in Fiscal Year 2020. The training was completed 27 to 119 days late.

During our testing of 60 employees, we noted one (2%) employee did not complete the required Information Safeguard training in both Fiscal Years 2020 and 2021.

During our testing of 60 employees, we noted one (2%) employee did not complete the required Security Awareness training within the calendar year of hire date.

The State Officials and Employees Ethics Act (5 ILCS 430/5-10) covers ethics training and requires each officer, member, and employee to complete, at least annually beginning in 2004, an ethics training program conducted by the appropriate State agency. A person who fills a vacancy in an elective or appointed position that requires training and a person employed in a position that requires training must complete his or her initial ethics training within 30 days after commencement of his or her office or employment.

The State Officials and Employees Ethics Act (5 ILCS 430/5-10.5) covers harassment and discrimination prevention training and requires each officer, member and employee to complete, at least annually, a sexual harassment training program. A person who fills a vacancy in an elective or appointment position that requires training under this Section must complete his or her initial sexual harassment training program within 30 days after commencement of his or her office or employment.

The Identity Protection Act (5 ILCS 179/37) covers identity-protection policy and requires all employees of the Department identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers. Training should include instructions on proper handling of information that contains social security numbers from the time of collection through the destruction of the information. The Identity Protection Act also directs that only employees who are required to use or handle information or documents that contain social security numbers have access to such information or documents.

The Data Security on State Computers Act (20 ILCS 450/25) covers the mandatory State employee training and states that every employee shall annually undergo training by the Department of Innovation and Technology concerning cybersecurity.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-014      Inadequate Controls over Required Employee Training Requirements  
(Continued)**

The Department officials indicated that some new hire employees were not able to meet the initial required trainings due to the COVID-19 remote work environment adjustments. The majority of these new hires were previous Department employees who returned under a personal service contract and the Training Team was not made aware in time to meet the deadline requirements. For the other required annual trainings that were not met, the Department was unable to locate proof of completion through OneNet.

Failure to enforce annual required trainings could lead to employees not being aware of Department policies and State law regarding ethics and could expose the State to legal and financial risks. (Finding Code No. 2021-014)

**Recommendation**

We recommend the Department implement controls to monitor the status of required employee trainings to ensure they are completed in a timely manner.

**Department Response**

The Department accepts the finding and notes, it will work on implementing a more efficient process for assuring communication of new hire and PSC contractor employees with the appropriate internal departments, taking into consideration a small allowable margin of error for all state-wide mandatory trainings. The increase in training staff headcount as well as recommendations provided to all employees to complete all mandatory trainings regardless of employment status will also aid with meeting compliance requirements.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-015      Inaccurate Accounts Receivable Reports and Quarterly Reports not Filed Timely**

The Department of Employment Security (Department) did not maintain an accurate aging of accounts receivable record and did not file in a timely manner quarterly accounts receivable reports with the Office of Comptroller (Comptroller) as required by the Statewide Accounting Management System (SAMS) Manual.

In the review of accounts receivable reports generated from the Enterprise Resource Planning (ERP) system, it was noted that the Department included incorrect amounts on the “not past due” column which is used in the Aging on Total Gross Receivables (Form C-98) report submitted to the Comptroller.

The Department did not file in a timely manner the Quarterly Summary of Accounts Receivable – Accounts Receivable Activity (Form C-97), the Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables (Form C-98), or the Quarterly Summary of Accounts Receivable – External Collections Activity for Accounts over 180 Days Past Due (Form C-99) in three of 16 (19%) quarterly reports tested during the two-year examination period. These were filed 1 to 48 days late.

Additionally, the Department did not file in a timely manner the Report of Receipts and Disbursements of Locally Held Fund (Form C-17) in three of 16 (19%) quarterly reports tested. These were filed 2 to 27 days late.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources.

The SAMS Manual (Procedure 26.30.10) states that State agencies shall report receivables information to the Comptroller quarterly and must be received by the Comptroller no later than the last day of the month following the end of the quarter. Failure to comply with these reporting requirements will result in a delinquency letter to the Office of the Auditor General.

The Statewide Accounting Management System (SAMS) (Procedure 33.13.20) states that the Report of Receipts and Disbursements of Locally Held Funds (Form C-17) is to be filed on a quarterly basis and should be submitted to the Comptroller no later than the last day of the month following the last day of the quarter. Failure to submit these reports will result in a delinquency letter to the Office of the Auditor General.

Department officials indicated due to staff turnover, shortages and the increased workloads as the result of COVID-19, the Department was unable to address reporting issues and complete the reports in a timely manner.

Failure of the Department to generate accurate accounts receivable reports provided to the Comptroller results in incorrect financial records. Furthermore, failure to file the quarterly reports on time hinders the Comptroller’s ability to timely monitor amounts due to the State. (Finding Code No. 2021-015)

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-015      Inaccurate Accounts Receivable Reports and Quarterly Reports not Filed Timely (Continued)**

**Recommendation**

We recommend the Department prepare accurate quarterly accounts receivable reports (C-97, C-98 and C-99s) and ensure timely submission of said reports and the Report of Receipts and Disbursements of Locally Held Fund Report (C-17) to the Comptroller.

**Department Response**

The Department accepts the Auditor's recommendation. The Department will work internally and with the ERP Team to ensure the quarterly accounts receivable reports are accurate and timely.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-016      Noncompliance with Department's Policies and Procedures on Timekeeping**

The Department of Employment Security (Department) did not exercise adequate controls over its employee attendance.

During testing of 60 employee time and attendance records, the Department failed to provide the following:

- Forty-five (75%) Time and Attendance Reports (FI-43) of employees.
- Thirty-seven (62%) Overtime/Equivalent Earned Time Authorization & Attendance Reports (FI-44) of employees.
- Twenty-four (40%) Time Distribution and Attendance Reports (FI-46) of employees.
- Thirty-four (57%) Applications for Leave Approval (PO-4) of employees.

Due to incomplete information, hours worked by the employees could not be verified. Additionally, we could not determine whether the employee overtime and leave requests were timely approved.

In addition, one (2%) Application for Leave Approval (PO-4) was approved late. This was approved 461 days after the date of the employee's leave of absence.

The State Officials and Employees Ethics Act (5 ILCS 430/5-5(c)) states that the executive branch shall adopt and implement personnel policies for all State employees under his, her or its jurisdiction and control and policies shall include policies relating to work time requirements, documentation of time worked, documentation for reimbursement for travel on official State business, compensation, and the earning or accrual of State benefits for all State employees who may be eligible to receive those benefits.

The Department Procedures Manual (2005.40.401) states that preparation, reporting and maintenance of time and attendance reports (FI-43 for full-time employees, FI-43Y for intermittent and part-time employees, FI-43T for temporary employees including 75-day appointees and FI-43M for merit compensation and non-code employees) are designed to document hours worked. They are prepared at the beginning of each pay period. Each day all employees must enter actual reporting and departing time. Employees shall comply with the work time requirements set forth in the Procedures Manual, applicable laws, statutes, administrative rules, and policies.

The Department Procedures Manual (2005.40.402) states that overtime authorization and attendance reports (FI-44) are designed to document overtime hours worked and work of part-time employees. The form must also be completed for employees who work 12.5 hour shifts and who receive compensatory time for a holiday that falls on a non-scheduled day.

The Department Procedures Manual (2004.40.404) states that time distribution and attendance reports (FI-46) are the data entry source documents for recording hours of work, rounded to the nearest quarter-hour, by budget activity and leave usage for each pay period. The document ensures that all paid hours are authorized by the cost center manager. The FI-46 is entered each pay period by authorized staff in each cost center using the FI-46 Online Entry System. Department staff are to complete the electronic FI-46 form, print it out, sign it in ink (digital signatures are not acceptable) and turn it in to their supervisors early on the day prior to the last working day of the pay period.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-016      Noncompliance with Department's Policies and Procedures on Timekeeping  
(Continued)**

According to the Department Procedures Manual (2004.30.313), instructions for leave approval (Form PO-4) state that an employee who requires time off from work for any reason except illness or other emergencies shall prepare Form PO-4 in advance and submit it in duplicate to the immediate supervisor. Immediately upon return to duty, an employee who was absent due to illness or other emergency shall submit Form PO-4 to the supervisor. The only exception to this occurs when the Director specifies that no Form PO-4 is required for other paid leave, as may happen in the case of severe weather office closing. Form PO-4's must be submitted to the employee's immediate supervisor. Then, whether approved or disapproved, the Form PO-4 and any required documentation will be routed through supervisory channels to the supervisor authorized by the division manager to give final approval. Form PO-4 and documentation for specific types of leave must be submitted to human resource management and/or Leave Coordinator upon request. Form PO-4 for all types of leave shall be approve or disapproved by the Final Authorizing Supervisor.

The Department Procedures Manual (1103) states that all attendance reports that have been signed, as approved, by the supervisor are to be retained for a period of seven years.

The State Records Act (5 ILCS 160/8) requires the Department to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Department designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with law.

Department officials indicated that cost centers are required to retain copies of their employees' timekeeping forms. The cost centers of each of the 60 employees selected were contacted by the Payroll Section for copies of the forms requested. The Department submitted all of the documents provided by the cost centers. Some of the documents could not be located by the cost centers due to complications of digital file retention of the employees working remotely during the pandemic.

Failure to properly submit and complete time reports, leave forms and earned compensatory time reports may result in employees using time or earning time not approved by management. (Finding Code No. 2021-016)

**Recommendation**

We recommend the Department monitor its procedures on timekeeping in order to comply with the Department Procedures Manual. We also recommend the Department improve its record retention and storage system so that documents are available to auditors and Department personnel.

**Department Response**

The Department accepts the finding and will monitor and enforce its policies and procedures on timekeeping to comply with the Department Procedures Manual. The Department will emphasize the importance of cost centers improving record retention and their ability to locate documents requested by the payroll department. The Department will strive to ensure that requested documents are readily available to Department personnel to provide to auditors and prevent future findings.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-017      Noncompliance with Statutes and Regulations on Internal Auditing**

The Department of Employment Security (Department) failed to comply with internal auditing requirements.

During our testing, we noted the following:

- The Department did not employ a Chief Internal Auditor from March 16, 2020 to May 2, 2021.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/2001(a)) states, "Each designated State agency as defined in Section 1003(a) shall maintain a full-time program of internal auditing". Section 1003 (a) defines designated State agencies to include each Department of State government created in the Civil Administrative Code of Illinois (20 ILCS 5/5-15), which includes the Department.

- During our review of the 2019 and 2020 continuing professional education (CPE) of each internal audit personnel, we noted the following:
  - a. One of four (25%) internal audit personnel did not meet the 80 hours CPE requirement during the two-year period of review.
  - b. Two of four (50%) internal audit personnel did not obtain at least 4 hours of CPE related to ethics during the two-year period of review.

Article II Section V (Continuing Education Requirements) of the State of Illinois Internal Audit Advisory Board Bylaws, states that internal auditors are responsible for maintaining their knowledge and skills. They should update their knowledge and skills related to improvements and current developments in internal auditing standards, procedures, and techniques. Auditors involved in the planning, directing, performing fieldwork, or reporting on an audit or attestation engagement need to maintain their professional competence through continuing professional education (CPE). Internal auditors must complete a minimum of 80 hours of CPE that directly enhance the auditor's professional proficiency to perform audits or attestation engagements. At least 24 of the 80 hours of CPE must be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 hours of the 80 must be completed in any one-year of the two-year period. At least 4 of the 80 hours of CPE must be in subjects related to ethics. The 80 hours of CPE, 24 hours of government CPE, and 4 hours of ethics CPE must be satisfied during two successive (non-rolling) calendar years. Internal auditors hired after the beginning of an audit organization's two-year CPE period should complete a prorated number of CPE hours based on the number of full 6-month intervals remaining in the CPE period.

- The Department did not prepare the two-year audit plan for FY21-FY22 due in FY20.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with law.

- The Department's internal audit function did not have internal assessments including ongoing monitoring of the performance of the internal audit activity and periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-017      Noncompliance with Statutes and Regulations on Internal Auditing  
(Continued)**

The International Standards for the Professional Practice of Internal Auditing (Sections 1300-1311) requires the chief audit executive to develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. A quality assurance and improvement program must include both internal and external assessments. Internal assessments must include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of the internal audit practices.

Additionally, the International Standards for the Professional Practice of Internal Auditing (Section 2110.A1) requires that internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

- During testing of the internal audit reports during the examination period, we noted the following:
  - a. All four (100%) internal audit reports tested did not include acceptance or denial of findings by persons responsible for the agency function.
  - b. One of four (25%) internal audit reports tested did not include planning documents or any type of work paper related to the internal audit performed.
  - c. Three of four (75%) internal audit reports tested had no formal remediation or follow-up made from the time the audit reports were issued to the present.

The International Standards for the Professional Practice of Internal Auditing (Section 2440) require the chief audit executive to communicate results to the appropriate parties. The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

- We also noted the Department did not report and communicate to the chief executive officer and governing board information about the audit plan and progress against the plan, conformance with the Institute of Internal Auditors Code of Ethics and International Standards for the Professional Practice of Internal Auditing, including any action plans to address any significant conformance issues. Additionally, the Department did not prepare a written report during each fiscal year under review to the chief executive officer detailing how the audit plan was carried out, including significant findings, recommendations, and implementation of changes by the Department.

The International Standards for the Professional Practice of Internal Auditing (Section 2500.A1) requires the chief audit executive to establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.



**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-017      Noncompliance with Statutes and Regulations on Internal Auditing  
(Continued)**

Department officials indicated the Department's position of Chief Internal Auditor was vacated on March 20, 2020. At the time of vacancy, a review process of the position description was conducted as well as consideration for changing the job location. The term of the position expired on August 2020 and the vacancy was officially posted with the new job location effective September 2020. The candidate selection, hiring and onboarding process concluded on May 1, 2021, at which time the position was permanently filled.

During this timeframe the position remained open. As a result, the vacancy did not ensure compliance respective to the Fiscal Control and Internal Auditing Act and the Internal Auditing Program.

Failure to maintain an internal audit program represents noncompliance with the Fiscal Control and Internal Auditing Act, weakens the Department's assessment of its overall internal control environment, and increases the risk that an effective system of internal controls may not be maintained.

Without proper acceptance or disagreement with internal audit findings and conclusions by persons responsible for the finding/remediation, it is unclear whether management will develop sufficient corrective action plans to remedy the conditions noted in the internal audit findings, or accept responsibility for any risks not remediated. In addition, the lack of periodic internal assessments may diminish the effectiveness of the internal audit functions, which would not be beneficial to the Department. (Finding Code No. 2021-017)

**Recommendation**

We recommend the Department comply with the requirements of the Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing. We further recommend the Department:

- Ensure that internal audit personnel always meet the continuing professional education requirements.
- Submit a two-year audit plan and internal audit annual report before their due dates.
- Develop procedures to internally evaluate the internal audit function.
- Establish policies requiring internal audit reports to include the proper acceptance or disagreement with audit findings and recommendations by management personnel responsible for the subject of the audit.
- Ensure that the internal audit team reports and communicates to the chief executive officer and governing board information about the audit plan and progress against the plan.

**Department Response**

The Department accepts this finding. In May 2021, the Department filled the Chief Internal Auditor vacancy. The Chief Internal Auditor will develop and implement changes in the Department's Internal Audit division to ensure the Department is in full compliance with the Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-018      Disaster Recovery Planning Weaknesses**

The Department of Employment Security (Department) has weaknesses in its disaster recovery planning process.

The Department obtains and processes significant amounts of Federal Tax Information and confidential information in its applications.

During our review of the Department's disaster recovery plan, we noted the plan:

- had not been updated to incorporate all critical systems and did not have detailed system requirements for key server components.
- did not include detailed recovery scripts for off-site recovery in the event key personnel were unavailable.
- did not document roles and responsibilities of recovery teams.

In addition, we noted the Department:

- had not performed disaster recovery exercises for key systems during the examination period.
- alternate data center did not have capabilities to execute the Department's operations in the event the Department of Innovation and Technology's (DoIT) facility was unavailable.
- did not ensure the disaster recovery plan was readily available in the event the DoIT network was unavailable.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology (NIST) requires entities to develop a comprehensive disaster recovery plan, regularly exercise the plan, and update the plan based on lessons learned.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Department management indicated the plan was still in development due to staffing shortages and challenges associated with the pandemic. Department management also indicated testing had not been completed due to the lack of resources.

Failure to maintain a comprehensive disaster recovery plan and conduct testing could result in the Department being unable to execute its core functions in the event of an emergency situation. (Finding Code No. 2021-018)

**Recommendation**

We recommend the Department develop a comprehensive disaster recovery plan for all critical systems. Additionally, we recommend the Department conduct disaster recovery testing at least annually, and ensure the disaster recovery plan is readily available. Furthermore, we recommend the Department work with DoIT to ensure adequate resources are available for the recovery of the Department's systems.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-018      Disaster Recovery Planning Weaknesses (Continued)**

**Department Response**

The Department accepts the finding. The Department will develop a comprehensive and current disaster recovery plan for critical systems. In collaboration with DoIT the Department will initiate a project to enhance the disaster recovery environment specifically for IBIS after evaluation of the current database backup environment at the Alternate Data Center.

The Department will further ensure that hard copy disaster recovery plan materials are stored in its Chicago and Springfield Central Offices as well as at DoIT Security offices in Chicago and Springfield.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-019      Cybersecurity Weaknesses**

The Department of Employment Security (Department) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

The Department had established a myriad of applications in order to meet its mission and mandate. The Department processed and maintained confidential and personal information within these applications, such as names, addresses, Federal Tax Information, dates of birth and Social Security numbers.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination, we noted the Department had not:

- Developed policies and procedures documenting:
  - Configuration Management
  - Software Development and Lifecycle Management
  - Change Management
  - Vulnerability Management
  - Data Classification
  - System Backup and Offsite Storage
- Updated its policies and procedures timely.
- Maintained acknowledgements of receipt of Department policies for 10 of 20 (50%) employees and contractors tested.
- Required employees and contractors to acknowledge receipt of policy updates.
- Developed a project management framework.
- Developed a risk management methodology and conducted a comprehensive risk assessment to identify all types and locations of confidential data.
- Established roles and responsibilities between the Department and the Department of Innovation and Technology (DoIT) related to security event monitoring and incident response performed on the Department's behalf.
- Classified its data to identify and ensure adequate protection of information.

The *Framework for Improving Critical Infrastructure Cybersecurity and Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Department management indicated the Department relied on DoIT for information security management and had not formally drafted policies and procedures defining the specific breakdown of responsibility between the two organizations for cybersecurity management due to a lack of resources with the expertise to oversee cybersecurity programs.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-019      Cybersecurity Weaknesses (Continued)**

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Department's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2021-019, 2019-011)

**Recommendation**

We recommend the Department:

- Adopt policies and procedure for configuration management, software development and lifecycle management, change management, vulnerability management, data classification, and system backup and offsite storage.
- Review and update policies timely.
- Maintain acknowledgements of Department policies by employees and contractors.
- Require employees and contractors to acknowledge receipt of updated policies.
- Develop a project management framework.
- Develop a risk management methodology and conduct a comprehensive risk assessment to identify all types and locations of confidential data.
- Establish roles and responsibilities between the Department and DoIT documenting each Department's roles and responsibilities.
- Classify data to identify and ensure adequate protection of information.

**Department Response**

The Department accepts the audit finding overall, without comment on the specifics listed. It should be noted that much of this finding applies to the documentation of policies and understandings regarding the relationship as set forth in statute between the Department and the Department of Innovation and Technology (DoIT).

The Department has initiated a plan of action to address these issues with three areas of concentration. Management is leading the upgrade of documentation both with more specifics in legal agreements between the Department and DoIT and the Department's formal acceptance of DoIT policies. This is evidenced by the latest IGA and attachments between the departments executed June 30, 2022. Department policies continue to be updated to address areas identified in this and previous findings. Evidence of this is Policy and Procedure 4004, executed June 30, 2021. Finally, the Department is working to establish a new position within the Department to serve in the areas of compliance and liaison activities with DoIT. Each of these steps is being taken carefully to address auditor concerns while also fulfilling statutory obligations between the Department and DoIT.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-020      Payment Card Industry (PCI) Compliance Weaknesses**

The Department of Employment Security (Department) had inadequate controls over Payment Card Industry Data Security Standards (PCI DSS).

The Department processed 13,239 credit card transactions totaling \$9,256,104 in FY21 via credit card processors.

During review, we noted the Department had not:

- Established policies and procedures to maintain a PCI compliant environment;
- Formally assessed each program accepting credit card payments, the methods in which payments could be made, and matched these methods to the appropriate Self-Assessment Questionnaire (SAQ);
- Completed a SAQ or Attestation of Compliance (AOC) addressing all elements of its environment utilized to store, process, and transmit cardholder data; and
- Ensured credit card processors utilized to process the Department's card transactions were PCI compliant.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

PCI DSS was developed to detail security requirements for entities that store, process, or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder. To assist merchants in the assessments of their environment, the PCI Council has established Self-Assessment Questionnaires (SAQ) for validating compliance with PCI's core requirements.

Department management indicated they were unaware of the need to complete SAQs and the need to review PCI compliance of its service providers.

Failure to adhere to PCI compliance responsibilities could result in fines or the loss of ability to process credit card transactions in the event of a breach of the Department or a non-compliant service provider processing credit cards on the Department's behalf.  
(Finding Code No. 2021-020)

**Recommendation**

We recommend management:

- Establish requisite policies and procedures to maintain a PCI compliant environment;
- At least annually, assess each program accepting credit card payments, the methods in which payments can be made, and match these methods to the appropriate SAQ;
- Complete the appropriate SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data and an Attestation of Compliance Form; and
- At least annually, ensure credit card processors utilized to process transactions have maintained valid PCI compliance.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-020      Payment Card Industry (PCI) Compliance Weaknesses (Continued)**

**Department Response**

The Department accepts this finding and is in the process of establishing a new position that would be responsible for obtaining and reviewing the SAQs and AOC reports.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-021      Weaknesses in Security and Control of Confidential Information**

The Department of the Employment Security (Department) had inadequate controls over security of confidential information.

The Department had established a myriad of applications in order to meet its mission and mandate. The Department processed and maintained confidential and personal information within these applications, such as names, addresses, dates of birth and Social Security numbers.

During our review of the Department policies and procedures, we noted the Department had not:

- Developed breach notification procedures for information other than Social Security numbers.
- Developed encryption and redaction requirements for types of information other than Social Security numbers.
- Developed data destruction procedures for all potential sources of confidential information.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Personally Identifiable Information Processing and Transparency section requires entities to develop policies and procedures to ensure security, integrity, and confidentiality of personal information maintained in their environment and applications.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Department management indicated they believed its internal policies in conjunction with the Department of Innovation and Technology's (DoIT) policies were sufficient to address responsibilities for security and control of confidential information.

Failure to adequately secure confidential information could result in exposure of such information to unauthorized parties or breaches. (Finding Code No. 2021-021)

**Recommendation**

We recommend the Department develop:

- Breach notification procedures for all types of confidential information.
- Encryption and redaction requirements for all types of confidential information.
- Data destruction procedures for all potential sources of confidential information.



**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-021      Weaknesses in Security and Control of Confidential Information (Continued)**

**Department Response**

The Department accepts this finding and breach notification procedures will be documented. The Department will also work to develop broader encryption and redaction procedures as well as documented data destruction procedures.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-022      Inadequate Controls over Remote Access**

The Department of Employment Security (Department) had inadequate controls over remote access to its environment, applications and data.

As a result of the COVID-19 pandemic, the Governor of Illinois issued Executive Order 2020-10 ordering all businesses and operations to cease and for citizens to remain at their place of residence. In order to comply with the Executive Order, the Department instructed staff to perform their work from home resulting in a significant increase in the use of remote work options by employees of the Department.

To establish the ability to work from home, the Department allowed staff remote access to their environment, applications and data. Our review noted the Department had not:

- Periodically reviewed staffs' remote access;
- Required contractors to acknowledge receipt of remote access policies and procedures; and,
- Maintained documentation the information technology equipment utilized by staff contained updated antivirus and the latest security patches.

Even though the Department relied on the Department of Innovation and Technology (DoIT) for its technology needs, the Department had the ultimate responsibility to ensure adequate controls exist over remote access to its environment, applications and data.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Access Control and System and Communication Protection sections, requires entities to implement adequate internal controls over access to their environments, applications and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Department management indicated the Department allowed users to have remote access as part of a COVID-19 emergency directive and as such did not believe it was necessary to establish additional policies and procedures around remote access beyond the requirements of the temporary directive. Additionally, Department management indicated they believed DoIT was responsible for managing the integrity of State owned equipment and did not believe establishing monitoring procedures was necessary.

Without adequate controls over remote access, unauthorized individuals may have access, resulting in potential malicious activity. (Finding Code No. 2021-022)

**Recommendation**

We recommend the Department implement controls to ensure the security over remote access to its environment, applications and data. Specifically, we recommend the Department:

- Periodically review staffs' remote access.
- Communicate requirements to users.
- Maintain documentation the information technology equipment utilized by staff contain updated antivirus and the latest security patches.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-022      Inadequate Controls over Remote Access (Continued)**

**Department Response**

The Department accepts this finding. The Department believes remote access was adequately addressed by the Covid-19 directive referenced for the period of time covered by this audit. A pilot remote work process is in place under an umbrella agreement between the union and the State, and Department HR and Labor Relations are working with the union to develop appropriate and agreed procedures and policy for remote access to Department work moving forward. The establishment of the compliance/liaison position at the Department to work with DoIT will advance these recommendations as well.

The Department will work to develop a more formalized understanding of the division of duties with DoIT as set forth by statute (20 ILCS 1370). The Department continues to believe that certain pieces of technical monitoring and oversight are solely under DoIT control. In these cases, it is expected that the new position mentioned above will assist the Department to gather appropriate information of actions being taken under those responsibilities.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-023      Inadequate Personal Information Protection Policy**

The Department of the Employment Security (Department) did not have an adequate Personal Information Protection Policy (Policy).

The Department's Policy 1030 required the protection of Social Security numbers, but it was not updated to protect all types of personal information required by the Personal Information Protection Act. Specific types of personal information not addressed by the Department's Policy were:

- Driver's license numbers
- State identification card numbers
- Account number or credit or debit card number, in combination with any security code, access code, or password that would permit access to an individual's financial account
- Medical Information
- Health insurance Information
- Unique biometric data generated from measurements of technical analysis of human body characteristics used by the owner or licensee to authenticate an individual, such as a fingerprint, retina or iris image, or other unique physical representation or digital representation of biometric data.

The Personal Information Protection Act (Act) (815 ILCS 530) requires entities to identify and protect all nonpublic personal information.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Department management indicated the Department's internal policies in conjunction with the Department of Innovation and Technology's (DoIT) policies were sufficient to address responsibilities for security and control of confidential information.

Failure to identify all personal information in accordance with the Act results in noncompliance with the Act. (Finding Code No. 2021-023)

**Recommendation**

We recommend the Department update its Policy to identify and protect all types of personal information required by the Act.

**Department Response**

The Department accepts this finding. A new Policy/Procedure #4004 was published 6/30/2021 covering Information Technology Security including specific reference to the Personal Information Protection Act and covered information.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-024      Inadequate Controls over GenTax Access**

The Department of Employment Security (Department) did not ensure adequate security over the enterprise-wide tax system (GenTax).

During our testing of GenTax security, we noted:

- 1 of 11 (9%) individuals tested did not have a Request for Access to Illinois Department of Revenue System (CSB-154) form submitted by an authorized supervisor or manager,
- 1 of 6 (17%) individuals tested did not submit the Security Notification Form before the termination date,
- 2 of 6 (33%) individuals tested did not have a Security Notification Form submitted by an authorized supervisor or manager, and,
- 1 of 6 (17%) individuals tested did not have a completed Security Notification Form submitted containing all the required fields.

Furthermore, the Department's GenTax Security Procedures (Procedures), did not document the Department's review of GenTax access.

The Procedures stated in order to obtain access to GenTax an authorized approver was to submit on behalf of the employee:

- Completed background check (if access to Federal Tax Information was requested)
- Information documenting completion of the Safeguard Training,
- Completed CSB-154, Request for Access to Illinois Department of Revenue Systems, and
- Completed User Profile Template.

In addition, the Procedures stated in order to terminate access to GenTax an authorized approver was to submit a completed Department's Security Notification Form requesting access to be removed.

Furthermore, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure State resources are used efficiently and effectively.

Likewise, the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Access Control section, requires entities to establish access control policies and procedures documenting access control requirements, including periodic reviews of access. Additionally, the Access Control section requires entities to comply with stated policies and procedures.

Department management indicated the weaknesses were due to oversight and competing priorities during the COVID-19 pandemic.

Failure to properly and fully complete all required forms, ensure forms are submitted by only an authorized individual, and disable users' access in a timely manner put the Department at risk of unauthorized access to GenTax. (Finding Code No. 2021-024, 2020-007, 2019-005, 2018-008)

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-024      Inadequate Controls over GenTax Access (Continued)**

**Recommendation**

We recommend the Department implement controls over GenTax security, including controls over hired and terminated employees to ensure the security of the system.

**Department Response**

The Department accepts the finding and has emailed the updated security control document that governs and explains the on/offboarding process to stakeholders that are authorized to add and/or remove users from GenTax. In addition, the Department's Human Resources Department sends a monthly list of employees that have been separated from the Department to the GenTax Team Lead to ensure that GenTax access has been revoked.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-025      Inadequate Controls over GenTax Change Control**

The Department of Employment Security (Department) did not ensure adequate controls over the changes implemented within its enterprise-wide tax system (GenTax).

During our testing of GenTax change control, we noted:

- 4 of 10 (40%) changes tested did not have a fully completed request tab, and
- 6 of 10 (60%) changes tested were never closed after being verified in production (ILP).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure State resources are used efficiently and effectively.

Additionally, the GenTax Change Control Process (Process) states the system owner or designated representative enters into the Structured Query Reporter (SQR) the required documentation backing the request, which includes the agency affected and the basic issue.

The Process also states if the SQR implementation appears to be error free for both impacted agencies, the contact person or a representative from an impacted GenTax functional area changes the SQR status to "Closed".

Department management indicated the weaknesses were due to oversight.

Failure to properly complete all required steps of the change process within GenTax puts the Department at risk of inaccurate and unauthorized changes to GenTax. (Finding Code No. 2021-025)

**Recommendation**

We recommend the Department implement controls over GenTax change control to ensure all necessary steps are taken during the process.

**Department Response**

The Department agrees that adequate steps were not taken to ensure that the request tab was checked prior to setting up an SQR. However, the Department disagrees that not checking the box placed the agency at risk for inaccurate or unauthorized changes to GenTax. The SQR tab in question labeled "Details of Issue" is required to be filled out completely, explaining in detail the error correction or the enhancement requested. The Department has multiple quality control measures, such as IT developer scrutinization, which includes researching and attempts to recreate the error before a system solution can be developed. The SQR then moves through Phase 2 acceptance testing in the lower testing environment (ILT) which requires testing by both agencies before developers are allowed to move the SQR to the next testing level.

The Department is confident that adequate safeguards are currently in place to protect the integrity of the system. The Department agrees that some SQR's moved to the verify in ILP status were not closed in a timely manner. The Department will be more diligent in requiring SQR's be closed timely.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-026      Inadequate Controls over Service Providers**

The Department of Employment Security (Department) did not ensure adequate controls over its service providers.

The Department utilized various service providers to assist with significant processes such as: (1) benefit services, (2) credit and debit card payments processing, (3) Work Opportunity Tax Credit, (4) application hosting, and (5) pandemic unemployment assistance.

As part of our testing, we requested the Department provide a population of its service providers. Although the Department provided a list of service providers, we noted the list also contained vendors which were not service providers. Therefore, we were unable to conclude whether the population was sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

*Even given the population limitations noted above, we tested nine service providers, noting the Department had not:*

- Entered into agreements with five (56%) service providers to ensure the roles and responsibilities of both the Department and service providers were clearly defined and outlined.
- Ensured the contracts entered into with six (67%) service providers outlined the computing environment to promote the security, integrity, availability, confidentiality, and privacy controls over the Department's applications and data.
- Obtained and reviewed service providers' System and Organization Controls (SOC) reports and Bridge Letters for the nine (100%) service providers.
- Monitored compliance with the contract requirements for the nine (100%) service providers.

The Department is responsible for the design, implementation, and maintenance of internal controls related to its operations to assure its critical and confidential data are adequately safeguarded. This responsibility is not limited due to the processes being outsourced.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, investments, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

In addition, the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance over the entities' internal controls related to the services provided. Such assurance may be obtained through SOC reports or independent reviews.

Department management indicated the weaknesses were due to staff turnover, staff shortages, and the transition to work-from-home as the result of COVID-19.



**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Current Findings**

**Finding 2021-026      Inadequate Controls over Service Providers (Continued)**

Without entering into an agreement with service providers and timely obtaining and reviewing a SOC report or another form of independent internal controls review, the Department did not have assurance the service providers' internal controls were adequate to ensure its critical and confidential data were secure and available. In addition, failure to monitor compliance with contract requirements may lend itself to inadequate services provided by the service providers. (Finding Code No. 2021-026)

**Recommendation**

We recommend the Department strengthen its controls identifying the Department's service providers. Additionally, we recommend the Department:

- Enter into agreements with service providers and ensure roles and responsibilities of both the Department and service providers are clearly defined and outlined in the formal agreement/contract;
- Ensure contracts with service providers outline the computing environment that promotes the security, integrity, availability, confidentiality, and privacy controls over the Department's applications and data;
- Obtain and review SOC reports, Bridge Letters, or perform independent reviews of internal controls associated with outsourced systems at least annually; and
  - Monitor and document the operations of the Complementary User Entity Controls (CUECs) related to the Department's operations.
- Monitor compliance with the contract requirements.

In addition, for SOC reports with one or more subservice providers, we recommend the Department:

- Either obtain and review a SOC report for each subservice organization or perform alternative procedures to satisfy the usage of each subservice organization would not impact the Department's internal control environment; and,
- Document its review of the SOC reports and review all significant issues with each subservice organization to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the Department, and any compensating controls.

**Department Response**

The Department accepts this finding. While there are several service providers where the Department receives and reviews SOC reports annually, there is no centralized documentation to rely upon. These providers would include several banking units including the lock box service and card services. Several of the providers utilized for pandemic response are part of the finding, and corrections have been made, notably for the PUA program.

As previously noted, the Department is working to establish a position for compliance/liaison activities with the Department of Innovation and Technology (DoIT). Current responsibility for reviewing SOC reports, and other technical issues lies with various unit managers. More robust and uniform monitoring is a desired outcome of a Department-wide approach.

**State of Illinois  
Department of Employment Security**

**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Prior Findings Not Repeated**

**A. Failure to Accurately Determine Claimants' Eligibility for Pandemic Unemployment Assistance**

In the prior financial audit, the Department of Employment Security (Department) failed to ensure Pandemic Unemployment Assistance claimants met eligibility requirements.

In the current financial audit, the Department was unable to provide complete and accurate claimant data. Therefore, we were unable to conduct detailed testing as noted in Finding 2021-002. We will review the Department's progress in the next audit. (Finding Code No. 2020-002)

**B. Inadequate Controls over Pandemic Unemployment Assistance Program Processes**

During the prior financial audit, the Department did not implement adequate controls over the Pandemic Unemployment Assistance (PUA) program processes.

In the current financial audit, as noted in Finding 2021-002, the Department was unable to provide complete and accurate claimant data. Therefore, we were unable to conduct detailed testing. We will review the Department's progress in the next audit. (Finding Code No. 2020-003)

**C. Inadequate Controls over Accruals**

During the prior financial audit, the Department did not have sufficient internal control over the determination of accruals for payments related to both the Unemployment Insurance program (UI) and the Pandemic Unemployment Assistance Program (PUA).

In the current financial audit, as noted in Finding 2021-002, the Department was unable to provide complete and accurate claimant data. Therefore, we were unable to conduct detailed testing. We will review the Department's progress in the next audit. (Finding Code No. 2020-005)

**D. Inadequate Controls over Receivable Allowance**

During the prior financial audit, the Department did not have sufficient internal control over the estimate of the allowance for doubtful accounts recorded in its financial statements.

In the current financial audit, as noted in Finding 2021-002, the Department was unable to provide complete and accurate claimant data. Therefore, we were unable to conduct detailed testing. We will review the Department's progress in the next audit. (Finding Code No. 2020-006, 2019-001)

**State of Illinois  
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**Schedule of Findings (Continued)  
For the Two Years Ended June 30, 2021**

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**Prior Findings Not Repeated (Continued)**

**E. Inadequate Controls over Telecommunication Devices**

During the prior examination, the Department was unable to provide adequate records for the population of telecommunication devices that were acquired and retired during the examination period as well as monthly phone usage/concern report. Further, the Department did not have adequate controls over the issuance and cancellation of wireless communication devices.

During the current examination, we noted the Department was able to provide telecommunications inventory which includes active and disabled mobile devices during the examination period. In addition, it was learned that the Department does not use/generate phone usage/concern reports to monitor and review unusual calls. Our sample testing for issuance and cancellation of wireless communication devices did not indicate significant errors that would need to be reported. (Finding Code No. 2019-007, 2017-007)

**F. Inadequate Review of Access Rights for Terminated Employees**

During the prior examination, the Department did not review access rights to the Enterprise Resource Planning System (ERP) for terminated employees and did not have policies and procedures for access provisioning.

During the current examination, our sample testing did not indicate any exceptions related to ERP access rights. In addition, the Department developed policies and procedures for access provisioning. (Finding Code No. 2019-010)

**G. Inadequate Security at Local Office**

During the prior examination, the Department lacked security at the Metro South Regional office facility.

During the current examination, the site visit made on November 5, 2021 to the Metro South Regional office facility showed that security measures have been upgraded to ensure overall safety in this location. (Finding Code No. 2019-012)

**H. Noncompliance with the Unemployment Insurance Act**

During the prior examination, the Department did not comply with the Unemployment Insurance Act (Act) which requires the Department to provide statements of credit balances quarterly to employers.

During the current examination, our sample testing did not indicate significant errors that would need to be reported. (Finding Code No. 2019-013)

**I. Noncompliance with the Public Employment Office Act**

During the prior examination, the Department did not comply with the Public Employment Office Act (Act) regarding the recruitment of farmworkers and reporting of allegations of violations.

During the current examination, the Department updated its policies and procedures on Employment Service Business Process for Employers which includes the self-service and staff-assisted agricultural job orders (MSFW compliance) and discriminatory job orders and other job orders on which no action is taken. Department policies and procedures on job orders for temporary or seasonal agricultural workers were also implemented. No report of violations was reported to the Office of the Attorney General because there were none during the review period. (Finding Code No. 2019-015)